

The Current State of the Investment Environment in Ukraine and its Impact on the Investment Security of the State

Liudmyla Akimova^{1*} [0000-0002-2747-2775], Alla Lysachok² [0000-0002-5716-487X]

¹ *National University of Water and Environmental Engineering, Rivne, Ukraine*

² *The Lviv Regional Institute for Public Administration of the National Academy for Public Administration under the President of Ukraine, Lviv, Ukraine*

* 1970aaa@ukr.net

ABSTRACT

The study highlights the importance of creating a favorable investment environment, taking into account the investment security of the state. It has been proved that the existing financial and economic potential of Ukraine is not able to fully meet the needs of the economy. The presence of investments can become a prerequisite for the development of the national economy, improving the business environment, establishing relations with leading countries of the world in the international arena, which leads to an improvement in the investment climate in the country. The modern international investment market is characterized by active competition between various countries of the world for attracting foreign capital by creating a favorable investment climate. The positions of Ukraine in the leading ratings, as well as in the main rating components, are determined. The main problems that hinder the creation of a favorable investment environment in Ukraine and the provision of investment security are identified, and the main steps are proposed to solve the identified problems.

Key words: *investment environment, investments, information security, investment security, competitiveness, infrastructure.*

1. INTRODUCTION

In modern economic conditions, with the development of the economy of any country in the world, the question arises of attracting additional sources of financing for the country's economy. By attracting additional resources, it is possible to achieve stabilization of the economy, that is, to develop those sectors of the economy that need additional funding or are leading in the state. The existing financial and economic potential in Ukraine does not allow itself to be provided with the necessary investment resources, which, for its part, makes it impossible to take into account all the needs of the country's economy in full, therefore it is necessary to attract additional sources of financing. Investments can become a stable source of financing. With the help of investment, it is possible to achieve an increase in the competitiveness of the economy, the development of key industries, and the modernization of production.

The presence of investments can become a prerequisite for the development of the national economy, improving the business environment,

establishing relations with the leading countries of the world in the international arena, which will lead to an improvement in the investment climate in the country. The importance of this process determines a significant impact on the national security of the country as a whole, as well as on investment security. Since the state regulation of the economy should contribute to the formation of a favorable investment environment, as well as guarantee investors the inviolability of their capital and the possibility of its return with appropriate income. Besides.

In addition, investors and investments entering the country should also be screened. Given the current economic situation in which not only Ukraine, but also the leading countries of the world find themselves, caused by the COVID-19 pandemic, the process of ensuring a favorable investment environment for the state deserves increased attention.

2. LITERATURE REVIEW

Attracting investments is a global issue that has been raised by leading scientists for many years. Ensuring a

favorable investment environment is a key issue in the process of ensuring sustainable economic development of the country. Thanks to investments, it is possible to create new jobs, which in its turn will reduce the unemployment rate and relieve the workload on the country's economic system. The study of the problem of attracting foreign investment, as well as determining the level of investment security were presented in the works of leading scientists. They determined the theoretical aspects of investment without the relationship of the above concepts and the possibility of including new definitions for a comprehensive consideration of the problem.

Gulnar Shaimardanovna Kaliakparova, Yelena Evgenevna Gridneva, Sara Sarsebekovna Assanova, Kulyash Shaymoldenovna Syzdykova, Sandugash Babagalikyzy Sauranbay note that the use of economic instruments to support the population and eliminate the consequences of the use of emergency measures to protect the country's security will ease the socio-economic situation of the population and minimize the impact of restrictive measures on the country's economic development [1].

These economic instruments can be investments that will help support the most affected sectors of the economy and develop existing ones.

In addition, it should be borne in mind that the creation of a favorable investment environment requires the creation of favorable conditions not only in the field of investment security, but also other components of national security, in particular, information. Now information technology has become an integral part of the life of every citizen, as well as the use of IT technologies we observe in the field of business.

Zhengbing Hu, Roman Odarchenko, Sergiy Gnatyuk, Maksym Zaliskyi, Anastasia Chaplits, Sergiy Bondar, Vadim Borovik assure that over the past decade, the creation of the concept of information security has increased significantly, and this applies not only to executives of software manufacturers who want to protect their personal data and not suffer moral losses, but also to consumers who want to protect their own personal data in the event private person or commercial confidentiality, if the participant performs his work as an employee [2].

Zuhi Subedar, Ashwini Araballi state the growth of demand for electronic forms of communication. More and more attention is paid to the protection of e-mail, letters, information about credit cards and corporate data while using various types of digital encryption [3].

Samuel Ndichu, Sylvester Mc Oyowo, Henry Okoyo, Cyrus Wekesa argue that data that is transmitted over the cheap Internet, the easier it is to access, and thus are prone to all the threats that should be anticipated before exchanging data [4].

Tahmasib Fataliyeva, Shakir Mehdiyev assure that today the risks in the access of outsiders (unauthorized) to the assets of individuals, as well as the possible influence on them due to the illegal use of information assets, have greatly increased. It should be noted that video surveillance and image processing is one of the security components in Industry 4.0 sectors [5].

In particular, it should be understood that if the stage of establishing relationships between the country and the investor is underway, then without information security, part of the information can be lost or stolen, which is an indicator for making a negative decision both on the part of the investor and on the part of the state.

We understand that the investment attractiveness of the country plays an extremely important role, but even so, it is worth focusing on creating a favorable investment environment at the level, industry, region, enterprise. If the investment climate in the country is favorable, but the region, industry or enterprise is not competitive, then the investment process is unlikely to take place.

Hudz O.E. notes that the main components of the innovative and investment potential of the enterprise are market, intellectual, personnel, technological, information, interface, research, financial, organizational and management components. The author notes that Ukrainian enterprises have a low innovative focus, as well as technical and technological backwardness. Thus, if the management of the enterprise decided to focus on innovation, then it is necessary to improve the production capacity, the system of material and technical support, to optimize the structure of the distribution network and distribution system, which would take into account the modern needs of the market. Simultaneously with these processes, it is necessary to improve the organizational structure of management at the enterprise, as well as in the state as a whole [6].

3. RESEARCH METHODOLOGY

The data of the State Statistics Service of Ukraine, the World Bank for various periods of time were used to study the main indicators of investments and ensure investment security. The following methods are used: the method of comparative analysis of Ukraine's position in the "Doing Business" rating during 2016-2020; determination of the main indicators when calculating the "Doing Business" rating for Ukraine during 2019-2020; determination of the volume of foreign direct investment in Ukraine (inflow) during 2016-2019 billion US dollars; determining Ukraine's place in the ratings of infrastructure development in 2019; abstract logical method of analytical generalization and formulation of conclusions.

4. RESULTS OF THE STUDY

The modern international investment market is characterized by active competition between various

countries of the world for attracting foreign capital by creating a favorable investment climate [7]. Creation of a favorable investment environment primarily includes a set of political, legal, economic and social conditions that provide and facilitate the investment activities of domestic and foreign investors.

According to the rating assessment of the global competitiveness of the World Economic Forum, during 2004-2006. Ukraine's positions have strengthened and it has risen in the ranking from 86th to 69th place, and in 2007-2011. It lost 20 positions in the ranking, dropping to 89th place in 2010 out of 139, and rose by 7 positions in 2011, taking 82nd place out of 142. In general, Ukraine is ranked 85th out of 141 countries in the Global Competitiveness Index for 2019 of the World Economic Forum, up from 83rd on the 2018 Global Competitiveness Index. All post-Soviet countries outpaced Ukraine in the global competitiveness index, except for Moldova, which took 89th place. [8]. It is worth considering the position of Ukraine in the "Doing Business" rating during 2016-2020. (Figure 1).

We see that in the above-mentioned rating during 2016-2020. Ukraine is showing positive dynamics in improving its key indicators. In 2020, Ukraine took 64th place, which is 19 points better than in the same period in 2016.

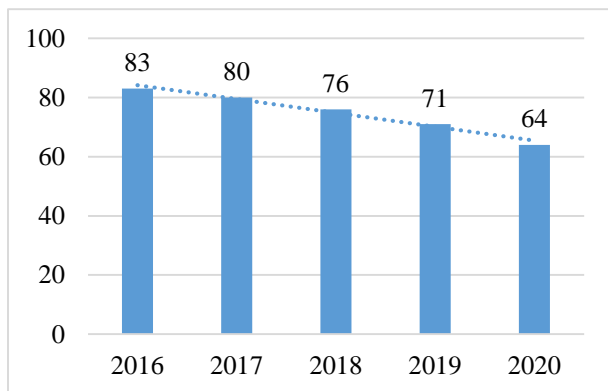


Figure 1 "Positions of Ukraine in the" Doing Business "rating" during 2016-2020. [9]

It is worth considering in more detail the main indicators that are included in determining this rating in order to determine which of them are impossible to improve Ukraine's position in this rating during 2019-2020. (Figure 2).

With an increase in the overall rating by 7 positions, Ukraine showed growth in five indicators:

- "investor protection" + 27 positions (from 72 to 45). Strengthened protection of minority investors by introducing a requirement for more detailed disclosure of information on transactions with interested parties;

- "obtaining building permits" + 10 (from 30 to 20). The process of obtaining building permits has been simplified by eliminating the requirement to hire an

- external observer and introducing an online messaging system. Also, obtaining a building permit has been reduced in price due to a decrease in the contribution to the Kiev City Council;

- "connection to power grids" +7 (from 135 to 128). The process of generating electricity was simplified by optimizing the release of technical specifications and the introduction of a geographic information system. The reliability of power supply has also been improved by introducing a shutdown compensation mechanism;

- "international trade" + 4 (from 78 to 74). Reduced time for import due to simplified requirements for certification of conformity of auto parts;

- "registration of property" + 2 (63 to 61). Property registration has been simplified by increasing the transparency of the land administration system.

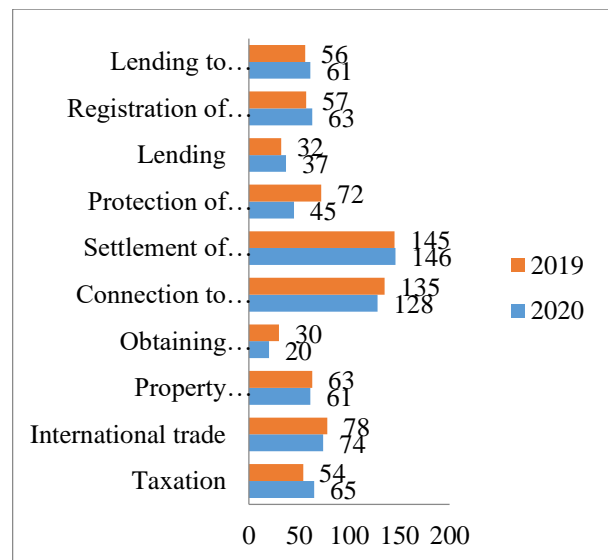


Figure 2 "Main indicators when calculating the" Doing Business "rating for Ukraine during 2019-2020." [9; 10; 11; 12]

Unfortunately, in five other areas, insufficient reforms were carried out, which led to a decrease in Ukraine's positions:

- "taxation" -11 places (from 54 to 65);
- "Enforcement of contracts" -6 seats (from 57 to 63);
- "registration of enterprises" -5 places (from 56 to 61);
- "getting credits" -5 places (from 32 to 37);
- "settlement of the issue of insolvency" -1 place (from 145 to 146) [9].

In addition, it is necessary to determine the inflow of foreign direct investment in Ukraine during 2016-2019,

since they create new jobs, stimulate the import of capital, introduce innovative technologies, increase market competitiveness, increase the volume of exports, create favorable conditions for integration of the national economy into the world economy (Figure 3).

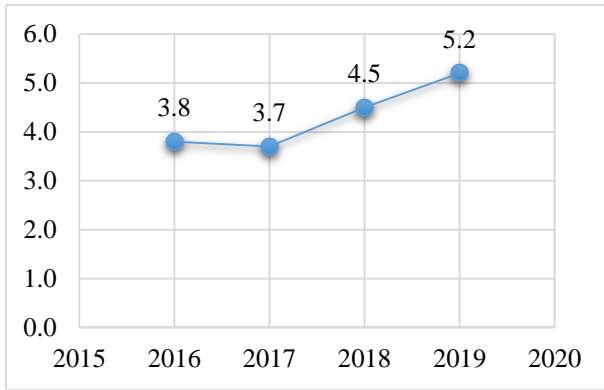


Figure 3 "Direct foreign investments in Ukraine (inflow) during 2016-2019. Billion US dollars" [13]

We see that the inflow of foreign direct investment is mainly growing, we observe a decrease only in 2017 compared to 2016 by \$ 0.1 billion. USA. In 2019, this figure was 5,200,000,000. United States, an increase of 0.7 billion. USA more than in 2018 and by 1 400 000 000. USD. US more than in 2016.

It should be noted that an important component that determines the attractiveness of the investment environment is the development of infrastructure, which is a necessary aspect in the process of ensuring entrepreneurial activity [14; 15]. This infrastructure includes: a developed system of currency, financial and commodity exchanges, as well as developed transport and telecommunication networks. In addition, when determining the level of competitiveness of the economy, indicators of infrastructural development are also taken into account, such as: road connectivity, quality of road infrastructure, density of railways, communication between linear transportation, efficiency of rail transport, communication with airports, efficiency of air transport services, efficiency of seaport services, logistics and the like. It should be determined at what level is the development of infrastructure in Ukraine (Figure 4).

Ukraine ranks 114th in terms of "quality of road infrastructure". The state ranks 25th in terms of "density of railways" and 34th in terms of "efficiency of railway traffic." Also, Ukraine ranks 53rd for "airport connectivity" and 101st for "efficiency of air transport services." The country ranks 57th for "connection to liner shipping" and 78 on "efficiency of seaport services".

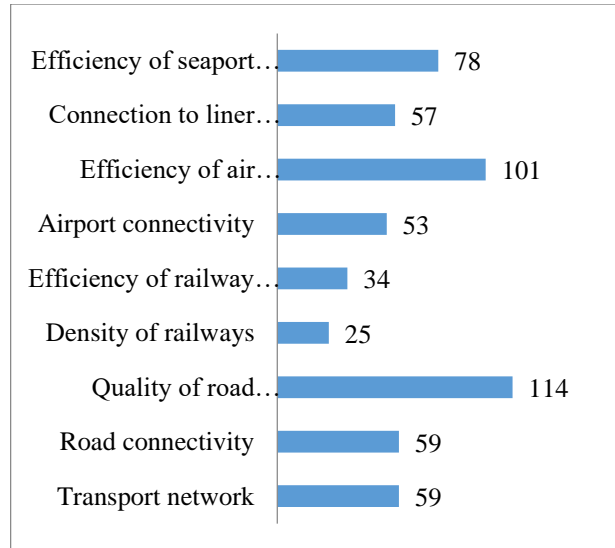


Figure 4 "Ukraine's place in the ratings of infrastructure development in 2019". [16]

5. THE DISCUSSION OF THE RESULTS

From the data analyzed above, it can be seen that Ukraine is improving its position in international rankings, as well as in key indicators such as: investor protection, obtaining building permits, connecting to power grids, international trade, property registration [17; 18]. Of course, in contrast, there are indicators whose change leads to a slowdown in the improvement of existing positions, in particular, taxation, enforcement of contracts, registration of enterprises, obtaining loans, settlement of the issue of insolvency. The issue of improving infrastructural support remains urgent, which, for its part, has an important influence on the formation of a favorable investment environment, thereby participating in determining the level of investment security of the state.

We agree with [19] that 5,900,000,000 Euros of investment are needed to renew the fleet of heavy trucks. This will lead to the achievement of a reduction in fuel costs due to an increase in the efficiency of the VVA fleet, which in turn will save 2,400,000,000 Euro. Thus, by 2030, Ukraine will be able to improve its transport fleet to meet the requirements of international standards and take a leading position in the structure of international cargo transportation.

The conducted research helped to analyze the current state of the investment environment and identify its impact on the investment security of the state.

6. CONCLUSION

The study shows that Ukraine has a relatively favorable investment environment for attracting investments. The competitiveness of the economy plays an important role in the formation of a favorable field for

investment. In accordance with this, the ratings of countries are determined according to certain indicators, which make it possible to better understand the state of the economy. For more activation of investment processes in Ukraine, it is necessary to solve a number of problems that still hinder the creation of a favorable investment environment. These include: the war in the East of the country, corruption, an imperfect taxation system, shadow economy, an imperfect legal and regulatory framework that regulates investment issues and directs the right vectors for the processes of ensuring investment security. The main steps to overcome the above problems should be: transparency and openness of legislation, in particular tax legislation, ending the war in the East of the country, eradicating corruption. The use of these steps will lead to stabilization of the Ukrainian economy and an increase in the level of investment security.

7. THANKS

This research will be relevant for scientists whose area of interest is the formation of a favorable investment environment, attraction of investments, development of the investment potential of Ukraine, ensuring its information and investment security. These studies can be used to develop a regulatory framework, tools that ensure the formation of a favorable investment environment and ensure investment security in Ukraine.

REFERENCES

- [1] Kaliakparova, G.S. Gridneva, Y.E. Assanova, S.S. Syzdykova, K.S. Sauranbay, S.B. (2020), "Economic instruments to support the population and eliminate the consequences of applying emergency measures to protect the country's security", *Journal of security and sustainability issues*, vol. 10, pp. 91-100. DOI: [https://doi.org/10.9770/jssi.2020.10.1\(7\)](https://doi.org/10.9770/jssi.2020.10.1(7)).
- [2] Hu, Z. Odarchenko, R. Gnatyuk, S. Zaliskyi, M. Chaplits, A. Bondar, S. Borovik, V. (2020), "Statistical Techniques for Detecting Cyberattacks on Computer Networks Based on an Analysis of Abnormal Traffic Behavior", *I. J. Computer Network and Information Security*, vol. 6, 2020, pp.1-13. DOI: 10.5815/ijenis.2020.06.01.
- [3] Subedar, Z. Araballi, A. (2020), Hybrid Cryptography: Performance Analysis of Various Cryptographic Combinations for Secure Communication, *I. J. Mathematical Sciences and Computing*, vol. 4, pp. 35-41. DOI: 10.5815/ijmsc.2020.04.04.
- [4] Ndichu, S. McOyowo, S. Okoyo, H. Wekesa, C. (2020), "A Remote Access Security Model based on Vulnerability Management", *I.J. Information Technology and Computer Science*, vol. 5, pp. 38-51. DOI: 10.5815/ijitcs.2020.05.03.
- [5] Fataliyeva, T. Mehdiyev, Sh. (2020), "Industry 4.0: The Oil and Gas Sector Security and Personal Data Protection", *I.J. Engineering and Manufacturing*, vol. 2, pp. 1-14. DOI: 10.5815/ijem.2020.02.01.
- [6] Hudz, O. (2015), "Identification and management of innovation and investment potential of the enterprise", *Scientific Bulletin of Mukachevo State University*, vol. 2, № 1.
- [7] Chunitskaya, I.I. Morozov, I.V. (2019), "Investment climate of Ukraine: essence, problems and ways to solve them", *Priazovsky Economic Bulletin*, vol. 3, pp. 111-117.
- [8] The Global Competitiveness Report 2012–2013, available at: www3.weforum.org.
- [9] The Official site Ministry for Development of Economy (2019), Trade and Agriculture of Ukraine. Doing Business, available at: <https://www.me.gov.ua/Documents/Detail?lang=uk-UA&id=05376d6c-3772-4027-ac6f-73e33e2905a8&title=DoingBusiness2019>.
- [10] Akimova L.M., Akimov, O.O. Mihus, I.P. Koval, Ya.S. & Dmitrenko, V.I. (2020), "Improvement of the methodological approach to assessing the impact of public governance on ensuring the economic security of the state", *Collection of scientific papers Financial and Credit Activity-Problems of Theory and Practice*. № 4 (35), pp. 180-190. DOI: <https://doi.org/10.18371/fcaptp.v4i35.221969>.
- [11] Akimova, L.M. Reinska, V.B. Akimov, O.O. Karpa, M.I. (2018), "Tax preferences and their influence on the investment in Ukraine", *Financial and Credit Activity-Problems of Theory and Practice*, № 3 (26), pp. 91-101. DOI: 10.18371/FCAPTP.V3I26.144117.
- [12] Akimova L.M., Levytska, S.O. Pavlov, K.V. Kupchak, V.R. & Karpa, M.I. (2019), "The role of accounting in providing sustainable development and national safety of ukraine", *Financial and credit activity: problems of theory and practice*, 2019, 30 (3). 64-70. DOI: 10.18371/FCAPTP.V3I30.179501.
- [13] The Ministry of the Development of Economy, Trade and the Agriculture Government of Ukraine, Ukraine: injection of COVID-19 into the economy and suspension (2020), available at: <https://www.me.gov.ua/Documents/Download?id=bc5d2c61-1a7f-4ec7-8071-b996f2ad2b5a>.

- [14] Zahorskyi, V.S. Lipentsev, A.V. Yurystovska, N.Ya. Mazii, N.H., & Akimov, O.O. (2019), "Financial and administrative aspects of small business development in Ukraine", *Financial and Credit Activity-Problems of Theory and Practice*, №3 (30), pp. 351-360. DOI: <https://doi.org/10.18371/fcaptp.v3i30.179717>.
- [15] Zahorskyi, V. S., Lipentsev, A.V., Mazii, N.H. Bashtannyk, V.V., & Akimov, O.O. (2020), "Strategic directions of state assistance to enterprises development in Ukraine: managerial and financial aspects", *Collection of scientific papers Financial and Credit Activity-Problems of Theory and Practice*, № 2 (33), pp. 452-462. DOI: <https://doi.org/10.18371/fcaptp.v2i33.207230>.
- [16] Centre for Transport Strategies, Ukraine Remains 57th In Global Infrastructure Development Ranking (2019), available at: https://en.cfts.org.ua/news/ukraine_remains_57th_in_global_infrastructure_development_ranking.
- [17] Kostiukevych, R., Mishchuk, H., Zhidebekkyzy, A., Nakonieczny, J., & Akimov, O. (2020), "The impact of European integration processes on the investment potential and institutional maturity of rural communities", *Economics and Sociology*, № 13 (3), pp. 46-63. DOI:10.14254/2071-789X.2020/13-3/3.
- [18] Levytska, S.O. Akimova, L.M. Zaiachkivska, O.V. Karpa, M.I. and Gupta, S.K. (2020) "Modern Analytical Instruments for Controlling the Enterprise Financial Performance", *Collection of scientific papers Financial and Credit Activity-Problems of Theory and Practice*, № 2 (33), pp. 314-323.
- [19] Ministry of Infrastructure of Ukraine, Drive Ukraine 2030 (2020), available at: <https://mtu.gov.ua/files/projects/str.html>.